

Message Text

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EUR:DGOOTT (DRAFT)

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TAGS: AORG, AFIN, UN

SUBJECT: UN FINANCES - COMMITTEE ON THE FINANCIAL EMERGENCY

REFS: (A) USUN 2927; (B) USUN 2833; (C) USUN 889

1. SUMMARY. WE SHARE MISSION'S DISAPPOINTMENT AT G-77 GUIDELINES PAPER (REFTEL A) AND AGREE THAT CHAIRMAN BOATEN'S EFFORTS TO AVOID CONFRONTATION SHOULD BE SUPPORTED. WE SUGGEST THAT MISSION DRAW ON FOLLOWING THOUGHTS IN REACTING TO DEVELOPMENTS IN COMMITTEE AND RESPONDING TO BOATEN'S REQUEST FOR OUR PRELIMINARY VIEWS.

2. AT THE OUTSET, WE BELIEVE MISSION SHOULD CLARIFY U.S. RELATION TO THE PROBLEM ALONG FOLLOWING LINES: SOME UN LIMITED OFFICIAL USE
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MEMBERS HAVE REFUSED TO PAY THEIR FULL ASSESSMENTS AND SOME OF THESE HAVE ALSO ATTEMPTED TO PAY SELECTIVELY IN CURRENCIES UN-CANNOT USE. THE UNITED STATES IS NOT ONE OF THESE DELINQUENT MEMBERS (WHOSE ACTIONS HAVE TOTALLY DRAINED THE

DOLLARS 40 MILLION WORKING CAPITAL FUND) AND IS IN NO WAY RESPONSIBLE FOR THE UN'S FINANCIAL EMERGENCY.

3. IN ADDITION TO THE UNITED STATES, MOST MEMBER STATES ADHERE TO THE PROVISION OF ARTICLE 17 OF THE CHARTER (THAT THE EXPENSES OF THE ORGANIZATION SHALL BE BORNE BY THE

MEMBER STATES AS APPORTIONED BY THE GENERAL ASSEMBLY); ONLY A VERY FEW HAVE CLAIMED THE RIGHT TO DECIDE ON THEIR OWN WHAT EXPENSES OF THE ORGANIZATION SHOULD BE INCLUDED IN THEIR ASSESSMENTS.

4. LACKING OTHER ACTION, THE EMERGENCY COULD BE TEMPORARILY EASED, BUT ONLY TEMPORARILY, BY ONE-TIME VOLUNTARY CONTRIBUTIONS. UNLESS WITHHOLDING CEASES AND PAYMENT OF ASSESSMENTS IS MADE IN USABLE CURRENCIES, THE FINANCIAL CRISIS WILL RECUR. WE SEE LITTLE VALUE TO THE UNITED NATIONS OR TO ITS RESPONSIBLE MEMBERS IN PROCEEDING DOWN A TEMPORARILY REMEDIAL COURSE. ACCORDINGLY, THE CRISIS CAN BE RESOLVED ONLY THROUGH A COMPREHENSIVE SOLUTION. PIECE-MEAL DECISIONS WILL NOT SUFFICE.

5. WE BELIEVE THE MEMBER STATES RESPONSIBLE FOR THE CRISIS SHOULD (1) PAY THEIR ARREARS EITHER THROUGH VOLUNTARY CONTRIBUTIONS AS THE FRENCH DID IN 1972 OR THROUGH DIRECT PAYMENT OF PAST ASSESSMENTS; (2) DISCONTINUE WITHHOLDING; AND (3) CONTRIBUTE ONLY IN CURRENCIES ACCEPTABLE TO THE UNITED NATIONS.

6. WE CANNOT ACCEPT THE IMPLICATION IN THE G-77 PAPER THAT LATE PAYMENT BY THE U.S. IS A FUNDAMENTAL CAUSE OF THE FINANCIAL CRISIS. THE WORKING CAPITAL FUND WAS ESTABLISHED PRECISELY TO PROVIDE LIQUIDITY PENDING RECEIPT OF LATE PAYMENTS. THE WORKING CAPITAL FUND HAS BEEN EXHAUSTED BY THE DELIBERATE REFUSAL OF CERTAIN MEMBER STATES TO PAY THEIR LEGITIMATE ASSESSMENTS IN FULL. IN CONTRAST TO THOSE DELINQUENT STATES, THE U.S. HAS ALWAYS PAID ITS ASSESS-
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MENTS ALTHOUGH WE HAVE NOT ALWAYS AGREED WITH THE PURPOSES FOR WHICH FUNDS WERE APPROPRIATED BY THE UNGA. SINCE THE BEGINNINGS OF THE UNITED NATIONS, THE UNITED STATES HAS BEEN KNOWN TO OPERATE ON A FISCAL YEAR WHICH DIFFERS FROM THE UN FINANCIAL YEAR AND U.S. PAYMENTS HAVE BEEN ANTICIPATED ACCORDINGLY. THE FINANCIAL CRISIS AROSE ONLY WHEN CERTAIN MEMBERS BEGAN DELIBERATELY WITHHOLDING PAYMENT OF THEIR LEGAL ASSESSMENTS.

7. WE COULD NOT AGREE TO AN INCREASE IN THE WORKING CAPITAL FUND THAT PROVIDED ONLY A SHORT TERM RESPITE. UNLESS MEMBER STATES DISCONTINUED WITHHOLDING AND ASSURED PAYMENT

IN ACCEPTABLE CURRENCIES, THE FUND WOULD SOON AGAIN BE EXHAUSTED.

8. IF THE SECRETARY GENERAL WERE TO HOLD EXPENDITURES TO THE LEVEL OF INCOME ANNUALLY RECEIVED, THE FINANCIAL SITUATION COULD BE STABILIZED.

9. IF THOSE MEMBER STATES RESPONSIBLE FOR THE FINANCIAL CRISIS WERE TO TAKE APPROPRIATE STEPS TOWARDS RESOLVING IT THE U.S. WOULD PARTICIPATE IN ARRANGEMENTS TO RESTORE AND CONTINUE THE UN'S FINANCIAL VIABILITY.

10. IN ADDITION TO FOREGOING GENERAL POINTS, WE HAVE FOLLOWING SPECIFIC COMMENTS KEYED TO THE OUTLINE OF THE G-77 PAPER.

A. "APPROPRIATE MENTION OF THE POSITIONS OF PRINCIPLE OF MEMBER STATES" IN PARA II A4 IS ACCEPTABLE ONLY IF IT IS CLEARLY ELABORATED TO EMBRACE THE OVER-RIDING POSITION OF PRINCIPLE HELD BY MOST MEMBER STATES, NAMELY, THAT ASSESSMENTS SHOULD BE PAID.

B. THE ASSERTION IN PARA II B1 THAT "TARDY PAYMENTS BY MEMBER STATES IS ONE OF THE MAIN CAUSES OF THE UNITED NATIONS LIQUIDITY CRISIS" (STATING ONLY IN PARENTHESES THAT "WITHHOLDING IS ANOTHER") IS UNACCEPTABLE. TARDY PAYMENTS SIMPLY ARE NOT REMOTELY COMPARABLE TO WITHHOLDING AS A CAUSE OF THE CRISIS. MOREOVER, PARA 2 OF SECTION B SHOULD COME BEFORE PARA 1 BECAUSE OF ITS GREATER IMPORTANCE.
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GIVEN THE ASSURANCES OF THE U.S. (SEE U.S. GENERAL DEBATE STATEMENT IN COMMITTEE OF 54) THAT BEGINNING NEXT YEAR WE, THE LARGEST CONTRIBUTOR, WILL BE IN A POSITION TO PAY OUR ASSESSMENT WITHIN THIRTY DAYS OF NOTIFICATION BY THE SYG, THE LATE PAYMENT ARGUMENT LOSES EVEN MORE RELEVANCE.

C. PARA II B3. REMOVAL OF "UNITED NATIONS BONDS" FROM THE EXPENDITURE SECTIONS OF THE BUDGET SHOULD BE COUPLED WITH A RE-AFFIRMATION THAT THE UNGA AUTHORIZED THE SYG TO ISSUE THE BONDS AND DECIDED TO FINANCE, FROM THE REGULAR BUDGET, INTEREST AND REPAYMENT OF PRINCIPAL DUE, AND AN ASSURANCE THAT IF SUFFICIENT FUNDS ARE NOT AVAILABLE FROM INCOME AND FROM SAVINGS THE INTEREST AND PRINCIPAL INSTALLMENTS WILL BE MET FROM THE ASSESSED BUDGET. THE U.S. WOULD URGE THAT THE PROPOSED PARTIAL SOLUTION RELATED TO THE BONDS EVEN WITH A RE-AFFIRMATION ALONG THE LINES STATED ABOVE, SHOULD BE AN INDIVISIBLE PART OF A COMPREHENSIVE SOLUTION.

D. AS DRAFTED, PARA II B4 CONCERNING TECHNICAL ASSISTANCE APPEARS IRRELEVANT TO THE TASK OF THE COMMITTEE OF 54.

E. PARA II C4. THIS PARAGRAPH RELATING TO THE LEVEL OF THE BUDGET FOR 1978-79 APPEARS TO BE WRITTEN TO ENABLE EACH MEMBER STATE TO INTERPRET THE LEVEL TO ACCOMMODATE ITS OWN DESIRES, INCLUDING UNLIMITED BUDGET GROWTH. IT WOULD BE DESIRABLE IF THE PARAGRAPH WERE REWRITTEN EXPLICITLY TO

FAVOR BUDGETARY STRINGENCY.

F. PARA II D REGARDING PLEDGING CONFERENCES TO LIQUIDATE THE SHORT TERM DEFICIT. THE U.S. WOULD NOT BE INTERESTED IN ATTENDING ANY PLEDGING CONFERENCE WITHOUT PRIOR ASSURANCES THAT THOSE RESPONSIBLE FOR THE DEFICIT WILL MAKE APPROPRIATELY SUBSTANTIAL VOLUNTARY CONTRIBUTIONS OR OTHER PAYMENT OF ARREARAGES, WILL DISCONTINUE WITHHOLDINGS, AND WILL MAKE ALL PAYMENTS IN USABLE CURRENCIES. THE U.S. HAS NO INTENTION OF MAKING A PLEDGE TOWARD LIQUIDATING THE SPECIAL ACCOUNT SET UP TO RECORD THE UNPAID ASSESSMENTS OF THE REPUBLIC OF CHINA (ROC); PERHAPS THOSE MEMBERS WHO VOTED TO UNSEAT THE ROC ARE THE ONES WHO SHOULD ASSUME RESPONSIBILITY FOR THOSE ARREARAGES.

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11. AS PART OF COOPERATIVE U.S. POSTURE IN SEARCH FOR SOLUTION TO FINANCIAL CRISIS, MISSION MAY WISH TO MAKE MORE WIDELY KNOWN U.S. 1976 DOLLARS 10 MILLION NON-REIMBURSABLE CONTRIBUTION TO UNEF IN GOODS AND SERVICES (REF C) AND TO EMPHASIZE POTENTIAL CHANGE IN U.S. PAYMENT SCHEDULE AS STATED IN EARLIER U.S. GENERAL DEBATE STATEMENT IN COMMITTEE OF 54.

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